



SHIRE OF CHITTERING

RESPONSE TO THE DISCUSSION PAPER - AT THE CROSSROADS

INQUIRY INTO LOCAL GOVERNMENT

AND

COST SHIFTING

Q1. Is there a need for significant changes to Local Government's current package of roles and responsibilities?

Response.

How is the "current package" defined or quantified. The revised Local Government Acts across Australia have provided a higher degree of autonomy and choice than the previous acts and this has resulted in a diversity of roles and responsibilities without measurable commonality.

Each local authority has developed a unique emphasis based on local needs and service delivery.

A tripartite agreement - Federal, States and Local Governments could provide a core of roles and responsibilities common across the nation.

Legislation in each state is continuously amended to adjust the roles and responsibilities and actions of Local Government and with each State election these can alter dramatically.

From a Western Australian perspective, there is no need for significant changes to the roles and responsibilities defined in the Local Government Act 1995.

Q2. Should there be a greater differentiation of responsibilities between larger, better informed Councils and those with small populations and limited revenues?

Response

Responsibility differentiation results from resources available and service demand by default and it is difficult to see how this could be managed by legislation.

Quality of life quantification and community service obligation definition may be feasible methodologies to determine responsibility levels and standards.

Q3. Is there a need in some regions for restructuring to improve the viability of Councils?

Response

Definitely. This does not only apply to Local Governments but also to Area Consultative Committees, Development Commissions and other State and Federal Agencies.

To protect parochial values restructuring should not be construed as only meaning amalgamations as there are other methods e.g. staff sharing.

Formal and voluntary regional organisation of Councils offer high scope for resource sharing, strategic planning, information dissemination, grant applications, lobbying, bulk purchasing and other matters.

Q4. Is cost shifting a growing problem?

Response

Yes, devolution of responsibilities from State to Local delivery is increasing, particularly in the "social areas" and in some operational areas e.g. fire services, security, community health.

Coupled with a reduction in funding streams the resource needs are exacerbated as Council try to balance infrastructure needs e.g. roads, recreation, with community expectations which are often driven or promoted at the State level.

Q5. Are there examples of successful State-Local Government arrangements to deal with cost shifting?

Response

None are known from 28 years experience in Local Government.

The closest example would be the Regional Road Program and the associated agreement between the State Government and the WA Local Government Association, which has just been breached by the State Government.

Q6. How might the Commonwealth promote a more comprehensive approach to reduce cost shifting?

Response

Specific purpose funding is an obvious mechanism for particular needs but it is also open to political interference or a weighting to politically sensitive e.g. marginal seats.

Local authorities need a mechanism to report an instance of cost shifting and the cost ramifications to the Federal Government which can then determine whether it is a cost shift/devolution of responsibility by the States and if necessary adjust funding arrangements.

Very few if any instances of cost shifting or devolution of responsibility will be cost neutral and an agreed cost calculation model should be developed as part of an open and accountable assessment system.

Under this scenario further economics of scale may be obtainable by assessment on a regional or sub regional basis.

Q7. What specific steps might be taken to generate significant increases in income from Local Governments established revenue base?

Response

Before this can be seriously considered, there needs to be some definition of service provision to meet Community service obligations, e.g. Shire of Chittering average rate is \$820 per annum which is the equivalent or higher than many metropolitan rates but the residents do not have access to mobile phone coverage, public transport, 80kms to hospitals, high school, tertiary education, TAFE, dentist, no swimming pool, no footpaths and a myriad of other services.

Council has increased rate income by nearly 300% over 10 years, \$460,000 to \$1.8 million. Service charges for landfill, fire equipment have been established and levied over and above the rates.

Over the same period the population has increased from 1800 to approximately 3000 with a continuing high growth rate.

Shires with declining populations may have reduced service demand (unlikely) and a diminishing revenue base.

Many local authorities already raise charges or levies for television retransmission, mobile phone coverage, landfill management, fire services and security. In addition residents contribute to ambulance and other services in addition to their support and commitment to schools, sporting clubs, community groups, volunteer fire fighting and emergency services and other organisations.

Residents already pay for planning consents and development approvals, building fees and Building and Construction Industry Training Levy, swimming pool inspections, microwave testing and a range of other fees.

The established revenue base comprises of rates, fees and charges, contributions, donations and reimbursements, interest, service charges, private works, government grants.

The only realistic scope for increased revenue is in the areas of government grants and private works or winning government or development contracts.

Government grants are part of the Cost Shifting Inquiry.

Increased revenues from private works are an opportunity for most Local Governments but they have potential for detrimental outcomes, staff and machinery may be dedicated to private works to the detriment of the shire works (capital and asset preservation) or they may be in direct conflict with local firms.

Q8. How might a betterment tax in locations of rapid growth work in practice?

Response

Unfortunately there is no definition of "betterment" provided.

This proposal is fraught with danger if used as a generalisation. Betterment taxes may deter or inhibit investment and development. They may result in bankruptcies and resultant high levels of debt remaining against the land/property.

There appears to be sufficient mechanisms in place particularly in Western Australia, to rate appropriate to the development or land use.

Time frames at State Government in the planning regime would potentially restrict the potential due to delays with rezonings, subdivisions and other approvals and in providing valuations.

A betterment tax could have a severe and detrimental impact on struggling communities where land values are low as any improvement or investment would result in higher rates.

The tax would also increase the divide between local authorities as higher density areas would receive a far greater benefit than remote areas.

Q9. In what ways should the certainty and predictability of financial arrangements with other spheres of government be improved?

Response

The obvious methods would be to provide Local Government with a guaranteed share of taxation, royalties, fuel excise and other federal and state government revenue.

Other methods would include the following:

- Federal Government to ensure that payments to the States, which have a local government component, get distributed accordingly. An example of this is the lack of payment to local government of the National Competition Policy dividend.
- Where a partnership is entered into between the Federal, State and Local Governments a realistic timeframe is involved for the shared funding.

Examples are community development, economic development, Landcare. Regional recreation, community health etc.

These are usually joint funded for a 2 or 3 year period and just when value is being obtained and community expectations on service delivery have been raised, full funding devolves to the Local Government.

Local authorities in Western Australia are required by legislation to provide four (4) year budgets/ financial plans and this cannot be done successfully or realistically without surety of funding arrangements.

Q10. Is there a case for reducing or abolishing the minimum grant?

Response

Yes. The retention of the minimum grant is inequitable or unjust in the context of Local Government. The grant is merely a handout to affluent Councils without any real or measurable justification.

The pool of funds created of up to \$75 million could be used more beneficially for Local Governments and their communities.

Q11. Is there scope to adjust the inter-state distribution and rationalise the different arrangements for general purpose and local road grants assuming both remain untied in the hands of Councils?

Response

One assumption should be challenged and that is that local road grants remain untied. Transport infrastructure is vital at local, regional, state and federal levels and all identified and allocated funds should be used for this task.

Adjustment of the inter-state distribution while there are different allocation methods in each state would not make sense or achieve appropriate and beneficial outcomes.

Q12. Would the FAGS system benefit from a clearer statement of Commonwealth policy direction and a formal inter government agreement on objectives and processes. If so, how should this be done?

Response

Definitely. At the local level and probably at the state level there is little, if any recognition of Commonwealth policies or objectives in the use of FAGS, particularly general purpose funds.

The Commonwealth should not have generalised policies or objectives, which are meaningless to the common person, and these policies and objectives should be relevant at the local or regional level at least.

If Policies and objectives are at variance with state, regional or local objectives and outcomes there needs to be negotiations at a partnership level based on defined outcomes/results.

Q13.What is the scope for specific measures to enhance local governments revenue base to meet infrastructure needs e.g. infrastructure levies and increased borrowing?

Response

Local government generally has utilised legislative powers and individual negotiations to obtain developer contributions to meet infrastructure needs.

Examples in Chittering are:

- Maintenance and upgrading contributions for a clay haulage road.
- Developers are responsible for all internal roads and infrastructure in subdivisions.
- Developers contribute 50% of upgrading costs for local roads servicing their developments.
- Upgrading contributions from individual developments on local roads, where the development increases the traffic or involves heavy haulage.
- All subdivisions require a contribution to fire fighting services/equipment for each new lot, created.
- Negotiated developer contributions to recreation and community needs in large scale subdivisions.
- Cash in lieu contributions instead of public open space contributions in specific developments.
- Sponsorship of Landcare and environmental projects.

The use of increased borrowings has merit however, it is a judgement call as to an appropriate level of debt service in proportion to the revenue base.

It may not be appropriate to borrow for roads in some areas which are subject to flooding, salinity or rapid deterioration as the asset will have gone but the debt remains.

Buildings or other infrastructure with a life expectancy of 50 years plus may be relevant for increased borrowings. As stated previously infrastructure levies may be detrimental to investment as development may be restricted to the localities where the highest return will be achieved.

In many areas of Australia development costs already exceed the development value and an additional levy/tax will impose an additional burden.

Land values in rural towns are already so low that any increased costs would prohibit development by anyone.

Q14.How could supplementary Commonwealth assistance continue to be financed within the constraint of budget neutrality?

Q15.How could the states also provide increased support for local infrastructure?

Response

Headwork's support would provide the greatest level of assistance to rural and regional Australia.

Fixed government agency charges e.g. water, power, sewerage and communications are the highest restrictions on development, which grossly inflate infrastructure costs.

These headwork's fees/ charges can equate to 50% of the development costs and result in land values being set at unrealistic levels.

Land values in rural and remote areas cannot support high infrastructure costs.

Q16. Taking into account inevitable limits on funding, what are the strategic priorities for Commonwealth investment in regional planning and development?

Response

This question cannot be answered fully until Commonwealth policies and objectives are properly defined and communicated.

Regional planning and development is a partnership and will not and cannot be successful if all parties are not striving for a common result.

Obvious strategic priorities for any area are viability, sustainability, quality of life, new infrastructure, maintenance of infrastructure (asset preservation), employment, education, health, communication and other factors but most importantly a sense of hope, recognition and support.

From a Shire of Chittering perspective the strategic priorities at the local level are:

- Retention and enhancement of rural production.
- Provision of water for residential and production needs.
- Infrastructure such as power, water, telecommunications, transport, sewerage etc.
- Employment
- Recreation
- Community well being
- Youth needs
- Aged needs
- Health

Q17. On what basis would local government be willing to resource a strong, effective system of ROCs across most of Australia and significantly expand the level of regional co-operation and resource sharing amongst Councils as a key element of service delivery?

Response

Voluntary or statutory ROCs would receive high level commitment and support if they are established by consensus on a community of interest basis and not through some bureaucratic process from above.

The Commonwealth already has part of a process in place through the Area Consultative Committees and this should be extended into the sub regional level.

In Western Australia there are development commissions, which cover the same areas as the Consultative Committees.

These organisations could provide a support mechanism and a conduit to state and federal governments.

An obvious resource commitment would be a one third contribution by each level of government to meet identified and agreed needs.

A standard payment for ROC's would not be appropriate as each region will have particular needs/demands and they should be recognised and resourced individually. In some regions even a one third contribution would be beyond the resources of some or all of the Councils and these areas should not be penalised or refused a service.

The Central Midland group of councils Shires of Chittering, Moora, Dandaragan, Wongan-Ballidu, Victoria Plains, Dalwallinu and Gingin are currently forming the Central Midlands VROC.

Q18. What are the specific areas in which local government sees a need to rationalise roles and responsibilities with the Commonwealth and State Governments?

Response

Health (Community & Medical), police/security, youth, family, aged, welfare, tourism, recreation, transport, employment, social services, volunteerism, insurance, salinity, infrastructure (power, water, sewerage, telecommunications) access to government services, community development and the environment.

All of the above have involved some level of devolution of responsibility and cost shifting and definition and resource liability need to be determined.

Q19. Is there sufficient exchange of information between states on "best Practice" intergovernmental relations? If not, how could such exchange be improved?

Response

If the exchange of information between the Commonwealth and the states and Local Government is an example the answer has to be a resounding no.

From a local government perspective there is no better communication system than face to face.

Q20. Should the approach advocated for Auslink be applied more widely? If so, what would be the priority areas?

Response

With transport being dealt with under Auslink the next issues should be regionalisation and community.

Regionalisation would encompass service delivery of local, state and federal service initiatives and objectives for twenty year periods. It would also cover infrastructure, the environment and other matters which do not stop at local or state boundaries.

Community would encompass quality of life issues and include the social services. Particular interest would be in the areas of health, youth, aged, disabled, welfare and other social factors.

Q21. Should capacity building for local government be approached on a national basis? If so, what are the priorities for a national program?

Response

Yes. It is imperative that a national approach be undertaken to ensure uniformity and a common approach to objectives.

The highest priority should be intergovernmental relations to provide linkages between the tiers and to develop partnerships and working relationships.

Local government as an industry has the ability for a higher role in the levels of government however, recognition of these abilities has to come from the public service and political regime.

The government approach to local government in many cases is to view Councils as second or third class groups with no professional status.

Large Councils get ready access to politicians and public servants however this does not apply at the rural or regional level unless it happens to be a marginal electorate. Another priority would be in the area of environmental sustainability. Local Governments do not and possibly should not have the technical or scientific abilities in this area.

Once roles and responsibilities are determined capacity building is integral for delivery of outcomes. The Commonwealth and State Governments and academia provide reports, theories, benchmarks and other technical data but they do not produce on ground results. These are achieved by local governments and their communities.

Q22.What sort of organisational framework is required to ensure an effective capacity building effort?

Response

A national body is necessary for accreditation and objectivity purposes.

This need should not result in the formation of another layer of bureaucracy.

The national body should be tripartite with a mix of members between the political and professional spheres.

The national body could be based in Canberra but be required to meet in each State at least once every two (2) years to obtain on ground information and to enable local involvement.

Each state and territory should have equal representation on any national body with no skewing for population.

Q23.Would local government support some form of accreditations assessment in return for an increased role in the administration of Commonwealth programs?

Response

Yes provided that the credibility of the assessment agency is absolute. Assessment should be on a 360 degree basis or it may end up being run by bureaucrats for bureaucrats.

OPTIONS

1a) Finance and Cost Shifting

Negotiate an umbrella intergovernment agreement on FAGs incorporating some or all of the following elements:

- a clear statement of the Commonwealth's policy intent
- adjustment of the escalation factor to match increases in GST revenue or GDP
- changes to the interstate distribution to redress apparent anomalies
- reduction of the minimum grant to direct additional funds to needy councils

- making grants conditional on an adequate revenue effort, the continued viability of recipient councils, and effective arrangements to secure efficiencies through regional co-operation and resource sharing (including merging councils where appropriate)
- removal of unwarranted State restrictions on local government revenue and substantial reductions in cost shifting
- reporting on expenditure

Response

This option is agreed to except for the changes to the interstate distribution to redress apparent anomalies as distribution models are needed prior to a decision.

- 1b) Treat FAGs simply as a tax transfer with a simplified distribution system and formula, administered nationally.

Response

Agreed that this is feasible but modelling would be required for the effect on individual states/territories and individual local authorities.

- 1c) Deliver FAGs through a model of broad-banded program grants to facilitate local governments role in key national initiatives such as regional development, transport, environment etc.

Response

In my opinion none of the levels of government are ready for this option.

- 1d) FAGs to be delivered as tied grants.

Response

If roles and responsibilities are defined and agreed and policies and objectives are in place the specific use of grants for designated outcomes should not be a problem for local government.

- 1e) Consider other horizontal equalisation formulas for local government funding such as the SES formula used by DEST for funding the non-government school sector.

Response

Not enough known of the formula and its impact at State and local levels.

- 1f) Deliver FAGs through the Roads to Recovery model.

Response

This concept should be investigated further as the information provided to date on the Roads to Recovery model has a sense of equity and measurable benefit.

OPTION 2

Include local government in negotiations for the next Commonwealth-State financial agreement and specifically consider:

- the ongoing financial viability of local government in relation to its roles and responsibilities, and the need and scope for increased Federal and State support
- the need to reduce cost shifting and revenue restrictions imposed on local government (unless already addressed under Option 1)

Response

It should be mandatory for local government involvement in any future Commonwealth - State financial agreements.

Financial viability of local government is important at local, regional, state and federal levels and due and proper recognition must be given.

Involvement at this level would allow for a critical analysis of viability and options for replacement services if non-viable entities are identified.

OPTION 3

Through the Local Government and Planning Ministers Council:

- investigate the principal factors that impinge on the adequacy and effective utilisation of local government's own revenue base
- disseminate best practice in council revenue-raising, and recognise the efforts of those councils demonstrating a responsible and innovative approach to maximising revenue consistent with expenditure needs and community capacity to pay
- examine the ongoing viability of smaller rural councils and possible need for alternative models of local government in some areas.

Response

This option is agreed with however throughout the options in this section there is one glaring omission:

- Equality of Services

There appears to be a presumption that financial viability is a measure to be considered but in the context of Australia what factors need to be considered for equity to all residents.

This option canvasses a "capacity to pay" but does not provide data to establish this capacity.

Recent droughts, floods, fires, commodity prices, fuel prices, salinity and other factors outside the control of local government will impact on a "capacity to pay."

Would it be realistic to use median income to determine grant/funding levels?

Small rural Councils should be examined not just for financial viability but also for service delivery cost effectiveness, community cohesion and other non financial factors.

Alternative forms of local government for some areas should be considered as a matter of urgency however the efficiency and effectiveness of alternatives should be extrapolated over 100 years to get a proper comparison with what has been provided for a similar period.

There would need to be a political commitment to effect change at the state level following any review.

Infrastructure Funding

OPTION 4

Conduct a national study into local infrastructure needs and funding in order to:

- fill the gaps in current knowledge and reach a national consensus on the magnitude of the problem
- consider a wide range of funding options including local infrastructure levies and increased but cautious use of borrowing.

Response

There appears to be a need or justification for this given that the information is available enough annual statements, asset records and other documentation and it could be readily collated and assessed.

The problem for Commonwealth and State Governments is that definitive statements of the precarious position of Local Government will not translate to a re-allocation of funds from other government priorities e.g. health, defence etc.

If undertaken the study is guaranteed to depict a massive funding shortfall outside the scope of any level of government to rectify except in the very long term.

Australia is already considered to be a highly taxed nation and further increases in the form of taxes, rates, levies, excise etc will not be politically acceptable

OPTION 5

Maintain Roads to Recovery into the longer term, either in its current form or as a component of AusLink.

Response

This option is strongly supported for at least another four(4) year program while AusLink is being implemented.

While the first round of Roads to Recovery was directed at unprogrammed works in my view the next round should be more regionally focussed.

Funds should be directed at roads, which connect two or more local authorities and not be used on roads or facilities internal to the shire.

Regional Co-operation

OPTION 6

As a general rule, ensure that the Commonwealth funded programs involving local government and a regional planning or delivery mechanism make use of established regional organisations of councils (or equivalent) rather than establish parallel bodies, provided the ROCs have demonstrated capacity.

Response

Strongly support this option.

Rationalisation

OPTION 7

Through the local Government and Planning Ministers Council:

- negotiate an intergovernment and financial obligations from the Commonwealth and/or States to local government, as well as the imposition of new functions
- regularly review and disseminate best practice in State-local government relations, particularly in relation to co-operative planning and service delivery.

Response

Strongly support this option.

Without this level of rationalisation and recognition local government will be forced into either a position of revolt or total subservience. Neither of these are conducive to long term viability.

By programming or default regionalism will evolve providing greater efficiency and effectiveness.

Matters of parochialism and distrust will have to be addressed and overcome with some Councils.

OPTION 8

Ensure that local government is a party to negotiations and a signatory to all Statement of Planning Policy agreements covering functional areas in which it has significant responsibilities, using the AusLink approach as a model.

Response

Strongly support this option.

Capacity Building and Accreditation

OPTION 9

Use a "top slice" of FAGs (perhaps 0.5%) to fund a national capacity building agency along the lines of UK Improvement and Development Agency (IdeA).

- Give the capacity building agency responsibility for accrediting councils and regional organisations of councils wishing to become agents for the delivery of Commonwealth programs.

Response

Agree with concept, however there are concerns about another government agency being created and a percentage of funds being recommended without knowing the associated costs.

Ray Hooper
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2 April 2003